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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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JUN 27 1996

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of

Policy and Rules Concerning the
Interstate, Interexchange Marketplace

Implementation of Section 254(g) of the
Communications Act of 1934, as amended

CC Docket No. 96-61

JOINT PROPOSAL

Pursuant to the request of the Chief of the Common Carrier Bureau,¹ the Office of the Governor of the Territory of Guam ("Governor") and the Guam Telephone Authority ("GTA") hereby submit a joint proposal for implementing Section 254(g) of the Communications Act of 1934, as amended ("the Act").²

INTRODUCTION

As the Commission is aware, the Governor of Guam has convened a working group to identify, discuss and attempt to resolve issues associated with the implementation of Section 254(g) and rate integration to Guam. The working group, known as the Guam Working Group (WG) has met three times: May 20-22, 1996;

¹ See Letters of Regina M. Keeney, Chief, Common Carrier Bureau to Robert F. Kelley, Jr., Advisor to the Governor (June 5, 1996) and Veronica M. Ahern, Counsel to the Guam Telephone Authority (June 11, 1996).

² Service of this Joint Proposal is being made on all parties to this docket known to be interested in rate integration issues.

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June 3, 1996; and June 10-12, 1996. At the most recent meeting participants from Guam and the CNMI discussed the Bureau's request for proposals.³ Efforts were made to agree on a single WG proposal. Although these efforts were not successful and no substantive consensus has yet emerged, the work done at the meeting forms the basis for the proposal made by the Governor and GTA.

There was some tentative agreement among the parties on several aspects of the proposal. This progress has sufficiently encouraged the participants that a fourth meeting is planned, July 8 and 9, 1996. We are hopeful that the Commission staff will attend. We believe that industry consensus can be achieved on many points and that the participation of the Commission can only help in that respect.

JOINT PROPOSAL

The Governor and GTA offer a seven point proposal to the Commission.

1. RATE INTEGRATION SHOULD INVOLVE THE INCORPORATION OF GUAM INTO THE DOMESTIC RATE PATTERN FOR MESSAGE TELEPHONE SERVICE. EACH CARRIER SHOULD ESTABLISH ITS OWN RATES BASED ON A CONSISTENT RATE-MAKING METHODOLOGY IN COMPLIANCE WITH THE COMMUNICATIONS ACT OF 1934, AS AMENDED.

The Governor and GTA believe that each carrier should have flexibility to include Guam within its domestic rate pattern in its own way, so long as consistent rate-making methodologies are used. For example, a national carrier using a mileage band rate pattern should include Guam -- either by adding a mileage band(s) or by

³ Participating in some or all of the WG sessions were representatives of the Office of the Governor of Guam, GTA, the Guam Public Utilities Commission, IT&E, Overseas Inc., PCI Communications, Sprint, AT&T, MCI, TNI, Guam Cable Telecom, Access Telecom, and the legislature of Guam

enlarging the distances of its existing bands -- provided, however, that the rate averaging methodology used should not differ as between Guam and any other point included in the mileage bands. Alternatively, a national carrier offering a postalized, distance insensitive, rate should include Guam in the postalized rate (assuming that the methodology used is to average all costs for service on a nationwide basis).

We understand the purpose of Section 254(g) to be the codification of geographic rate averaging and rate integration. We expect all carriers to follow both the letter and the spirit of the law in their averaging methodologies. Creation of mileage bands exclusive to Guam and within-band-averaging-only would not be consistent with the Act.

2. IMPLEMENTATION OF RATE INTEGRATION SHOULD BE CONTINGENT UPON INCLUSION OF GUAM WITHIN THE NORTH AMERICAN NUMBERING PLAN AND CONVERSION TO EQUAL ACCESS AND COST-BASED INTERSTATE ACCESS TARIFFS.

The Governor and GTA believe that implementation of rate integration should occur after three other events: (1) inclusion of Guam in the North American Numbering Plan (NANP); (2) conversion to equal access (Feature Group D); and (3) the effectiveness of cost-based interstate access tariffs. As a practical matter, rate integration would likely need to occur on or after NANP inclusion. As a matter of fairness, it should occur on or after the effectiveness of a cost-based tariff for GTA.

For planning purposes, we expect the three conditions precedent to rate integration to occur on or about July 1, 1997. It is possible that, depending on the proposals for integration advanced by the carriers, not all carriers will be prepared by July 1, 1997. We therefore also propose that the Commission allow the implementation to take place within a one year window from the date of the conditions precedent. For example, a rule might provide that carriers would have had

to complete full integration of Guam by July 1, 1998. This should give ample time for billing system conversion, notification to concurring carriers and switch software changes, and still allow carriers to be compliant with the rule. This approach also provides incentives for carriers to move quickly since a carrier able to integrate rates early is likely to seize a larger share of the market.

**3. OPTIONAL CALLING PLANS, PROMOTIONS, AND DISCOUNTS
SHOULD BE OFFERED TO SUBSCRIBERS IN GUAM IN COMPLIANCE
WITH THE COMMUNICATIONS ACT OF 1934 AS AMENDED.**

The mileage band rates for MTS have been compared to the "rack rate" at a hotel: the basic rate before any discounts. In order to assure that citizens of Guam can take advantage of discounts available to subscribers in other States, the Commission should adopt a rule that assures against unreasonable discrimination. Obviously, if an optional calling plan (OCP), promotion or discount is offered on a nationwide basis, then it must be offered, on the same terms in Guam. Similarly, if an OCP, promotion or discount is offered to a certain class of subscribers (e.g. high volume users), then it should also be offered on the same terms in Guam.

4. TELECOMMUNICATIONS SERVICES, AS DEFINED UNDER THE COMMUNICATIONS ACT OF 1934, AS AMENDED, OTHER THAN MTS, TO THE EXTENT THEY ARE OFFERED ON A NATIONWIDE BASIS, SHOULD ALSO BE OFFERED ON GUAM, IF THE DEMAND EXISTS. RATES FOR THESE SERVICES SHOULD BE BASED ON A CONSISTENT RATE-MAKING METHODOLOGY IN COMPLIANCE WITH THE COMMUNICATIONS ACT OF 1934, AS AMENDED.

As with MTS, other basic telecommunications services -- WATS, private line, etc. -- should be offered on Guam, if demand exists for that service.⁴ Also as with MTS, the rate-making methodology used for each such service should not change as a result of extending that service to Guam. A service offered on an averaged distance sensitive basis, should be offered on that basis to Guam subscribers.

5. THE IMPLEMENTATION OF RATE INTEGRATION SHOULD NOT DISCOURAGE FLEXIBILITY AND COMPETITIVE RESPONSES AMONG CARRIERS SERVING GUAM.

We believe that nationwide rate averaging does not foreclose flexibility and competitive responses among carriers. Today, among rate integrated points, there is a high degree of flexibility and competition. Inclusion of Guam within rate averaging should not change that fact.

⁴ There may be services that would not apply to subscribers on Guam/CNMI. However, as a general rule, we believe that all services available in the rest of the States, should be offered on Guam/CNMI.

6. THE COMMISSION SHOULD CONSIDER MECHANISMS TO SUPPORT RATE INTEGRATION.

Another issue is whether a universal service support mechanism is necessary and/or appropriate to underwrite the unique cost of participation in rate integration. The working group participants discussed possible support mechanism approaches. The first is to make Comsat a designated eligible telecommunications carrier for interstate satellite services between Guam and the rest of the United States. As a designated eligible carrier, Comsat should be entitled to receive universal service support as provided in Section 102 of the Act. In addition, if this approach is adopted, we encourage the Commission to consider comparable support for any other carrier providing equivalent domestic interstate service on non-Intelsat facilities. The second approach is to base the support mechanism on usage. This mechanism would be temporary, lasting only for a period of 3-5 years and would be available to carriers that originate or terminate traffic only on Guam. It is also similar to the transitional payments made to carriers in Hawaii and Alaska when these points were rate-integrated.

The Governor and GTA see some merit to a facilities-based subsidy, but we are concerned about the ability of our regional carriers to compete with national carriers who will, because of averaging, likely price their services below cost.⁵ The Commission should be sensitive to regional carriers, as well as consider the impact other proceedings before the Commission have on implementing rate integration, such as the Universal Service rulemaking.

We recognize that reliance on market forces means some competitors will survive and some will not. Under ordinary circumstances we would not recommend

⁵ On an overall basis, it is expected that long distance services will be priced above cost. However, for some routes that exceed average cost, prices may be below cost.

support for individual companies. The Telecommunications Act mandate to rate-average skews the goal of relying only on market forces for the provision of efficient service. In this case, we believe it is a matter of fairness for regional carriers to receive some sort of support for a transitional period. Further consideration will be given to the details of how a transitional support mechanism should be administered and funded.

The Governor of Guam and GTA are sensitive to the need for some support mechanisms. Nevertheless we recognize that other areas do not receive presently receive support for interexchange service from the Universal Service Fund. While we will work with the carriers to get reasonable and appropriate price support mechanisms, we believe that the Commission must move forward with rate integration with or without those mechanisms in place.

7. ENFORCEMENT OF THE RATE AVERAGING RULES SHOULD BE ACCOMPLISHED PRIMARILY THROUGH THE COMPLAINT PROCESS.

The Commission should consider the enforcement process during its development of rules to implement rate integration. We believe that the most efficient method of enforcement will be the Commission's complaint process. Although that process is imperfect and slow, it is in place. The creation of some specific enforcement mechanism only for the rate averaging rules would be redundant and unnecessary.


However, it will be difficult for subscribers to use the complaint process if there is no obligation for carriers to file tariffs showing their averaged rates. Therefore, we recommend that, if tariffs are not required, carriers file reports showing their mileage bands and nationwide averaged rates. These reports should be semi-annual and should be served upon the Governors of all states.

CONCLUSION

The Governor of Guam and the Guam Telephone Authority expect no less than full compliance with the spirit and letter of the Telecommunications Act. With that goal in mind, the Governor of Guam and GTA support full rate integration for Guam upon inclusion in the NANP, implementation of equal access and the effective date of cost-based tariffs.

We request that the Commission participate in the next Working Group meeting scheduled for July 8 and 9, 1996. We are confident that Commission participation will result in better input for the Commission to use in developing an appropriate order for the implementation of rate integration. The Governor and GTA will continue to keep the Commission informed of the progress of the Working Group. Towards that end, we ask that the Commission be mindful of our ongoing deliberations and request that the Commission remain open to the submission of additional comments, especially as we work to reach a consensus. Nevertheless, we are sensitive to the Commission's timetable and the need to adopt rules quickly.

Respectfully submitted,



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Governor of Guam

Guam Telephone Authority



Veronica M. Ahern

Its Attorney

June 20, 1996

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CERTIFICATE OF SERVICE

I, Gail M. Mullen, do hereby certify that a copy of the foregoing Joint Proposal of the Guam Telephone Authority, was sent by first class United States mail, postage prepaid, or by hand delivery or facsimile where indicated by an asterisk (*), this 20th day of June, 1996 to the following:

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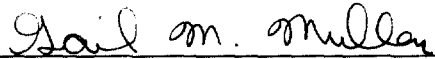
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